Document A: Speculation and Buying on Margin

* Speculation (buying stocks for short-term gain) Buying on margin- putting down 10% then waiting for price to rise to sell
* Form of spending was reckless because companies make evaluations of worth by using stocks then when $ is not really therecompanies cannot support things like payroll/operational costs  led to disastrous results (bankruptcy/unemployment)

Document B: Stock Market Crash

* Stock prices quadrupled in value from 1920-1929 leading to blind investment
* Oct 24th (Black Thursday)- prices plummeted – in three days stock lost $ 5 million
* Banking system fell into chaos banks tried to collect on loans made to stock market investors banks ran out of money some collapsed (pre-FDIC)

Document C: Bank Failure

* Stock values collapsed banks lost $
* Banks stop giving loans loss of consumer confidence
* Businesses could no longer sustain payroll/operations

Document D: Tariff and Trade:

* US was isolationist during the 1920’s
* Banks gave $ (high interest loans) in the 1920’s to stock speculators not foreign companies
* **Hawley Smoot Tariff**- tariff (tax on import) passed by US gov’t (highest level in US history)
* Foreign companies bought less U.S. goods because of the lack of U.S. investment
* US did not buy internationally during the 1920’s so they (foreign countries)did not help us

Document E: Overproduction in Agriculture

* Crop prices dropped worldwide from 1925-1929
* Agriculture backbone of most countries economy- disastrous results
* Overproduction of crops- result of overdrive from WWI + new machinery and decline in population
* Gov’t passed high tariffs on imported food- devastated worldwide production

Document F: Inequitable Income Distribution

* Unequal distribution of wealth (top 2.3% controlled 67% of wealth)
* Installment plans- buying on credit tried to solve the unequal distribution of wealth
* This new form of credit did not solve problem, Amer companies had too much supply